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Executive Offices

May 20, 1982

FEDERAL EXPRESS

Henry S. Kaplan, Esq.
DRESSLER, GOLDSMITH, SHORE, SUTKER
& MILNAMOW, LTD.
1800 Prudential Plaza
Chicago, Illinois 60601

Re: MERCHANDISING LICENSE AGREEMENT
BETWEEN TIGER ELECTRONIC TOYS, INC.
AND MCA OF SEPTEMBER 18, 1981

Dear Mr. Kaplan:

I am in receipt of three separate letters from you dated May 18, 1982. The first two of these letters refer to the above-referenced matter, and the third refers to a letter your client, Tiger Electronic Toys, Inc. ("Tiger"), received from Coleco Industries, Inc. ("Coleco").

In response to the letter which discusses the legal contention of your client in the above-referenced matter, please be advised that Merchandising Corporation of America, Inc. ("Merchandising") reaffirms the position taken in its telex to you dated May 7, 1982, and for the reasons stated therein, asserts that the contract between the parties has been terminated because of a material breach thereof by your client. Accordingly, any further attempt by your client to manufacture, market, sell or distribute a "KING KONG" mini-arcade electronic game or video game will violate and infringe upon the property and trademark rights of Universal City Studios, Inc. ("Universal") in and to the name, title, character and story "KING KONG", and Universal will hold Tiger fully responsible for all damages or losses sustained by Universal as a result of Tiger's actions.

The other letter which refers to the above-referenced matter makes a settlement proposal on behalf of Tiger. Merchandising is receptive to considering a settlement proposal from Tiger and is prepared to consider entering into a license agreement with Tiger on a nonexclusive basis for the same articles. While Merchandising does not accept the financial and other terms contained in your proposal, it is willing to discuss these terms with you at the earliest possible opportunity. However, as you have suggested, any settlement agreement between Tiger and Merchandising

would be conditioned upon Coleco's consent that the products to be offered by Tiger would not violate any rights that Coleco may claim to have.

With respect to the third letter mentioned above, Merchandising believes that any response is solely Tiger's responsibility and, as indicated in the preceding paragraph, any settlement proposal between Tiger and Merchandising would be conditioned upon Tiger's resolution of the issue raised by the Coleco letter.

To the extent that any of the foregoing remarks are made in the spirit of cooperation and settlement, they are made for such purposes exclusively, and are without prejudice to any future rights or claims of Merchandising or Universal. Merchandising and Universal shall remain free to assert any and all claims and causes of action they have.

Sincerely,

ROBERT D. HADL

RDH/mft